



Kent W. Blake
Director
State Regulation and Rates

LG&E Energy LLC
220 West Main Street
Louisville, Kentucky 40202
502-627-2573
502-217-2442 FAX
kent.blake@lgeenergy.com

November 2, 2005

RECEIVED

NOV 02 2005

PUBLIC SERVICE
COMMISSION

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: The Plan of Kentucky Utilities Company for the Value Delivery Surcredit Mechanism
Case No. 2005-00351

Dear Ms. O'Donnell:

Enclosed please find an original and seven (7) copies of Kentucky Utilities Company's ("KU") response to the Kentucky Industrial Utility Customers Inc. First Set of Data Requests dated October 21 2005, in the above-referenced docket.

Also, enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding certain information requested in Question No. 20 relating to forward price curves.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

Kent W. Blake

cc: Elizabeth E. Blackford
Michael L. Kurtz

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**THE PLAN OF KENTUCKY UTILITIES COMPANY) CASE NO.
FOR THE VALUE DELIVERY SURCREDIT MECHANISM) 2005-00351**

**RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO THE
FIRST SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS INC. ("KIUC")
DATED OCTOBER 21, 2005**

FILED: NOVEMBER 2, 2005

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 1

Responding Witness: Kent W. Blake

- Q-1. Refer to the second line on the table on page 5 of Mr. Blake's LG&E Testimony. Please confirm that there is a typographical error in the electric column and that the amortization of the costs to achieve should read \$23.9 million and not \$29.9 million. Please provide a revised table.
- A-1. Not applicable to KU.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 2

Responding Witness: Kent W. Blake

- Q-2. Please confirm that the Companies are unable to quantify the actual VDT savings achieved for each year 2001 through 2005. If this is not correct, then please provide the Companies' quantifications of actual VDT savings achieved for each of those years. Provide all supporting assumptions, data, computations, and workpapers, including electronic spreadsheets with formulas intact.
- A-2. While the targeted VDT savings were achieved, the Companies did not specifically track the savings. In the Rebuttal Testimony of S. Bradford Rives filed April 26, 2004 in Case No. 2003-00434, the Company demonstrated that the targeted VDT savings had been more than achieved.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 3

Responding Witness: Kent W. Blake

- Q-3. Refer to the first line on the table on page 5 of Mr. Blake's Testimony. Please confirm that the amounts for the gross savings from VDT initiative are 1) assumptions upon which the 2001 settlement agreement was based and 2) are not actual savings achieved.
- A-3. The amount of gross savings shown on the first line "Gross Savings from VDT Initiative" on the table at page 5 of Mr. Blake's testimony was derived from Exhibit E (KU Kentucky Jurisdictional) to the Companies' Joint Application in Case No. 2001-169 which reflects the estimated savings over the five-year period. See response to Question No. 2.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 4

Responding Witness: Kent W. Blake

- Q-4. Please confirm that if the VDT surcredit is terminated, then LG&E's electric rates will increase by \$3.1 million, LG&E's gas rates will increase by \$1.0 million, and KU's electric rates will increase by \$1.9 million.
- A-4. The Company cannot confirm the statement.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 5

Responding Witness: Kent W. Blake

- Q-5. Please confirm that LG&E's electric base rates include \$23.9 million and its gas rates include \$6.1 million in VDT amortization expense that will no longer be incurred after March 31, 2006.
- A-5. Not applicable to KU.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 6

Responding Witness: Kent W. Blake

- Q-6. Please confirm that LG&E's electric base rates include \$5.6 million and its gas rates include \$1.5 million in ratemaking expenses that actually were not incurred during the test year to provide the Company the shareholder portion of the VDT savings.
- A-6. Not applicable to KU.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 7

Responding Witness: Kent W. Blake

- Q-7. Please confirm that KU's electric base rates include \$11.5 million in VDT amortization expense that will no longer be incurred after March 31, 2006.
- A-7. The test period ending September 30, 2003 used in the Company's last base rate case (Case No. 2003-00434) included VDT amortization expense of \$11.5 million. KU believes that base rates are not set to recover specific costs or return specific savings. Rather, they are set at a level expected to produce a reasonable return on a prospective basis.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 8

Responding Witness: Kent W. Blake

- Q-8. Please confirm that KU's electric base rates include \$2.9 million in ratemaking expenses that actually were not incurred during the test year to provide the Company the shareholder portion of the VDT savings.
- A-8. The Company's determination of revenue requirements for the test period ending September 30, 2003 used in the Company's last base rate case (Case No. 2003-00434) included an adjustment to operating expenses of \$2.895 million to account for the shareholder portion of the VDT savings pursuant to a Settlement Agreement entered into by the Company and the KIUC, among others. KU believes that base rates are not set to recover specific costs or return specific savings. Rather, they are set at a level expected to produce a reasonable return on a prospective basis.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 9

Responding Witness: Kent W. Blake

- Q-9. Please confirm that the Companies will not incur any VDT amortization expense after March 31, 2006 because the deferred amounts will be fully amortized.

- A-9. The costs to achieve the Workforce Separation program as part of the Value Delivery Team initiatives were amortized over a five year period that ends March 31, 2006 as agreed to by the parties in Case No. 2001-169.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 10

Responding Witness: Kent W. Blake

- Q-10. Please provide all workpapers supporting the Companies' determination of its revenue requirement for the test year ending June 30, 2005.
- A-10. Please see the attached.

KENTUCKY UTILITIES

Adjustments to Operating Revenues, Operating Expenses and Net Operating Income
For the Twelve Months Ended June 30, 2005

	Reference Schedule (1)	Operating Revenues (2)	Operating Expenses (3)	Net Operating Income (4)
1. Jurisdictional amount per books		933,078,332	802,331,440	\$ 130,746,892
2. Adjustments for known changes and to eliminate unrepresentative conditions:				
3. Adjustment to eliminate environmental surcharge revenues and expenses	1.11	(21,777,415)	(8,896,292)	(12,881,123)
4. Eliminate DSM revenue and expenses	1.12	(3,982,650)	(3,874,591)	(108,059)
5. To eliminate ECR and FAC accruals	1.13	(22,528,436)	-	(22,528,436)
6. Adjustment for merger savings	1.14	1,739,220	18,968,825	(17,229,605)
7. To adjust mismatch in fuel cost recovery	1.15	(43,439,216)	(61,956,490)	18,517,274
8. Off-system sales revenue adjustment for the ECR calculation	1.16	(857,672)	-	(857,672)
9. Adjustment to eliminate unbilled revenues	1.20	(6,460,000)	-	(6,460,000)
10. To eliminate electric brokered sales revenues and expenses	1.21	277,850	(91,492)	369,342
11. Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	1.22	-	(169,974)	169,974
12. Adjustment to reflect normalized storm damage expense	1.30	-	(559,863)	559,863
13. Adjustment for injuries and damages FERC account 925	1.31	-	1,209,867	(1,209,867)
14. To reflect representative level of off-system sales margins	1.32	(10,335,215)	-	(10,335,215)
15. Adjustment to annualize year-end customers	1.40	2,524,868	1,385,900	1,138,968
16. Adjustment to reflect annualized depreciation expenses under current rates	1.41	-	(1,319,539)	1,319,539

KENTUCKY UTILITIES

**Adjustments to Operating Revenues, Operating Expenses and Net Operating Income
For the Twelve Months Ended June 30, 2005**

	Reference Schedule (1)	Operating Revenues (2)	Operating Expenses (3)	Net Operating Income (4)
17. Adjustment to reflect increases in labor and labor related costs	1.42	-	744,930	(744,930)
18. Adjustment to annualize MISO schedules 16 and 17	1.43	-	3,037,717	(3,037,717)
19. Adjustment to annualize MISO revenue neutrality uplift	1.44	-	16,087,195	(16,087,195)
20. Adjustment to annualize RSG revenues and expenses	1.45	20,750,244	22,066,018	(1,315,774)
21. Adjustment for reclassification of RSG	1.50	5,791,428	-	5,791,428
22. Adjustment to remove non-recurring EKPC transmission refund	1.51	708,301	-	708,301
23. Adjustment to reflect VDT net shareholder savings	1.60	-	4,680,000	(4,680,000)
24. Total of above adjustments prior to Value Delivery Surcredit expiration		<u>(77,588,693)</u>	<u>(8,687,789)</u>	<u>\$ (68,900,904)</u>
25. Federal and state income taxes corresponding to base revenue and expense adjustments and above adjustments -	39.5500 % 1.70		(27,250,308)	27,250,308
26. Federal and state income taxes corresponding to annualization and adjustment of year-end interest expense	1.71		11,406	(11,406)
27. Prior income tax true-ups and adjustments	1.72		1,202,473	(1,202,473)
28. Tax deduction for manufacturing activities (TDMA) adjustment	1.73		(340,446)	340,446
29. Total adjustments prior to Value Delivery Surcredit expiration		<u>(77,588,693)</u>	<u>(35,064,664)</u>	<u>\$ (42,524,029)</u>
30. Adjusted Net Operating Income prior to Value Delivery Surcredit expiration		<u>855,489,639</u>	<u>767,266,776</u>	<u>\$ 88,222,863</u>

KENTUCKY UTILITIES

**Adjustments to Operating Revenues, Operating Expenses and Net Operating Income
For the Twelve Months Ended June 30, 2005**

	Reference Schedule (1)	Operating Revenues (2)	Operating Expenses (3)	Net Operating Income (4)
31. Adjustments for expiration of Value Delivery Surcredit:				
32. Adjustment to remove VDT net shareholder savings	1.60	-	(4,680,000)	4,680,000
33. Adjustment to remove Value Delivery Surcredit and cost amortization	1.61	3,227,105	(11,753,520)	14,980,625
34. Total of above adjustments for expiration of Value Delivery Surcredit		<u>3,227,105</u>	<u>(16,433,520)</u>	<u>\$ 19,660,625</u>
35. Federal and state income taxes corresponding to base revenue and expense adjustments and above adjustments -	39.5500 % 1.70		7,775,777	(7,775,777)
36. Total adjustments for expiration of Value Delivery Surcredit		<u>3,227,105</u>	<u>(8,657,743)</u>	<u>\$ 11,884,848</u>
37. Adjusted Net Operating Income for expiration of Value Delivery Surcredit		<u>858,716,744</u>	<u>758,609,033</u>	<u>\$ 100,107,711</u>

PSC 9/12/97 Order, Pages 29-30

Page 1 of 2

KENTUCKY UTILITIES COMPANY
Statement of Income
Twelve Months Ended June 30, 2005

Title of Account Column A	No. Col. B	Total Kentucky Utilities Column C	Per Cent Allocator	KU Retail Jurisdictional Column D	Other Jurisdictional Column E
<u>Utility Operating Income</u>					
Operating Revenues:					
Residential Sales	440	\$ 323,828,642		\$ 302,008,887	\$ 21,819,754
Commercial and Industrial Sales:	442				
Small (or Comm) - Rural Comm & Comm L&P		222,964,542		\$ 212,421,208.27	10,543,334
Large (or Ind) - Industrial & Mine Power		240,402,242		\$ 228,681,215.22	11,721,026
Public Street and Highway Lighting	444	8,078,647		\$ 7,860,368.83	218,278
Other Sales to Public Authorities	445	69,558,385		\$ 65,547,735.75	4,010,649
Total Sales to Ultimate Consumers		<u>\$ 864,832,458</u>		<u>\$ 816,519,415</u>	<u>\$ 48,313,043</u>
Sales for Resale	447	180,791,731		\$ 97,035,420.49	83,756,310
Total Sales of Electricity		<u>\$ 1,045,624,189</u>		<u>\$ 913,554,836</u>	<u>\$ 132,069,353</u>
Less: Provision for Refund	449.1	(138,609)		\$ (684,280.55)	545,672
Total Revenues Net of Provision for Refund		<u>\$ 1,045,762,797</u>		<u>\$ 914,239,116</u>	<u>\$ 131,523,681</u>
Other Operating Revenues:					
Miscellaneous Service Revenues	451	1,476,710		\$ 1,447,507	29,203
Rent from Electric Property	454	2,061,671		\$ 1,929,073	132,598
Other Electric Revenues	456	17,813,506		\$ 15,462,635	2,350,871
Total Other Operating Revenues		<u>\$ 21,351,886</u>		<u>\$ 18,839,215</u>	<u>\$ 2,512,671</u>
Total Operating Revenue		\$ 1,067,114,683		\$ 933,078,331	\$ 134,036,352
Operating Expenses:					
Operation Expenses	401	\$ 643,020,251	0.86948	\$ 559,091,932	\$ 83,928,320
Maintenance Expenses	402	72,147,670	0.87636	63,227,144	8,920,526
Depreciation Expense	403	109,384,104	0.87187	95,368,392	14,015,712
Amortization of Limited-Term Electric Plant	404	5,990,003	0.86845	5,202,019	787,984
Regulatory Credits	407	(1,553,118)	0.86080	(1,336,926)	(216,192)
Taxes Other than Income Taxes	408.1	16,889,145	0.88814	14,999,975	1,889,170
Income Taxes - Federal	409.1	54,764,990		Total Income Taxes	
Income Taxes - State	409.1	15,158,376	0.88846	65,575,134	8,232,844
Provision for Deferred Income Taxes	410.1	56,662,732			
Provision for Deferred Income Taxes - Credit	411.1	(52,778,121)			
Accretion Expense	411.1	1,345,086	0.86080	1,157,852	187,234
Investment Tax Credit Adjustment - Net	411.4	-		-	-
Losses/(Gains) from Disposition of Allowances	411.8	(1,108,364)	0.86037	(954,081)	(154,283)
Total Utility Operating Expenses		<u>\$ 919,922,755</u>		<u>\$ 802,331,441</u>	<u>\$ 117,591,314</u>
Net Utility Operating Income		\$ 147,191,928		\$ 130,746,891	\$ 16,445,038

PSC 9/12/97 Order, Pages 29-30

Page 2 of 2

KENTUCKY UTILITIES COMPANY
Statement of Income
Twelve Months Ended June 30, 2005

Title of Account Column A	No. Col. B	Total Kentucky Utilities Column C	KU Retail Jurisdictional Column D	Other Jurisdictional Column E
Other Income and Deductions are not separated on a jurisdictional basis.				
<u>Other Income and Deductions</u>				
Total Other Income		<u>\$ 7,566,083</u>		
Total Other Income Deductions		<u>(487,200)</u>		
Total Taxes on Other income and Deductions		<u>(1,759,017)</u>		
Net Other Income and Deductions		<u>\$ 9,812,300</u>		
<u>Interest Charges</u>				
Interest on Long Term Debt	427	\$ 22,282,973		
Amortization of Debt Discount and Expense	428	2,911,022		
Amortization of Loss on Re-Acquired Debt	428.1	-		
Amortization of Premium on Debt - Credit	429	-		
Amortization of Gain on Re-Acquired Debt - Credit	429.1	-		
Interest on Debt to Associated Companies	430	491,721		
Other Interest Expense	431	2,639,630		
Allowance for Borrowed Funds Used During Construction	432	<u>(42,373)</u>		
Net Interest Charges		<u>\$ 28,282,974</u>	87.9740%	<u>\$ 24,881,663</u>
Cumulative Effect of Accounting Change, Net of Tax		<u>\$ -</u>		<u>\$ 3,401,311</u>
Net Income		<u>\$ 128,721,255</u>		

KENTUCKY UTILITIES

Capitalization at June 30, 2005

	Per Books 6-30-05 (1)	Capital Structure (2)	Undistributed Subsidiary Earnings (3)	Investment in EEI (Col 2 x Col 4 Line 5) (4)	Investments in OVEC and Other (Col 2 x Col 5 Line 5) (5)	Adjustments to Total Co. Capitalization (6)	Adjusted Total Company Capitalization (7)	Jurisdictional Rate Base Percentage (Exhibit 3 Line 23) (8)	Kentucky Jurisdictional Capitalization (Col 7 x Col 8) (9)
1. Short Term Debt	\$ 93,130,000	5.17%	\$ -	\$ (749,117)	\$ (35,743)	\$ (784,860)	\$ 92,345,140	87.96%	\$ 81,226,785
2. Long Term Debt	671,522,700	37.29%	-	(5,403,202)	(257,806)	(5,661,008)	665,861,692	87.96%	585,691,944
3. Preferred Stock	39,726,895	2.21%	-	(320,222)	(15,279)	(335,501)	39,391,394	87.96%	34,648,670
4. Common Equity	996,344,174	55.33%	(13,193,882)	(8,017,141)	(382,527)	(21,593,550)	974,750,624	87.96%	857,390,649
5. Total Capitalization	<u>\$ 1,800,723,769</u>	<u>100.00%</u>	<u>\$ (13,193,882)</u>	<u>\$ (14,489,682)</u>	<u>\$ (691,355)</u>	<u>\$ (28,374,919)</u>	<u>\$ 1,772,348,850</u>		<u>\$ 1,558,958,048</u>

	Kentucky Jurisdictional Capitalization (10)	Capital Structure (11)	Environmental Surcharge Post 94 Plan (Col 11 x Col 12 Line 5) (12)	Adjusted Kentucky Jurisdictional Capitalization (13)	Adjusted Capital Structure (14)	Annual Cost Rate (15)	Cost of Capital (Col 15 x Col 14) (16)
1. Short Term Debt	\$ 81,226,785	5.21%	\$ (9,946,521)	\$ 71,280,264	5.21%	3.060%	0.16%
2. Long Term Debt	585,691,944	37.57%	(71,725,677)	513,966,267	37.57%	3.957%	1.49%
3. Preferred Stock	34,648,670	2.22%	(4,238,249)	30,410,421	2.22%	5.679%	0.13%
4. Common Equity	857,390,649	55.00%	(105,001,655)	752,388,994	55.00%	10.000% - 10.500% - 11.000%	5.50% - 5.78% - 6.05%
5. Total Capitalization	<u>\$ 1,558,958,048</u>	<u>100.00%</u>	<u>\$ (190,912,102)</u>	<u>\$ 1,368,045,946</u>	<u>100.00%</u>		<u>7.28% - 7.56% - 7.83%</u>

KENTUCKY UTILITIES COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
June 30, 2005

LONG-TERM DEBT									
	Due	Rate	Principal	Interest(Income)	Annualized Cost			Total	Embedded Cost
					Amortized Debt Issuance Expense	Premium	Amortized Loss-Required Debt		
First Mortgage Bonds:									
Series P	05/15/07	7.920%	53,000,000	4,197,600	41,088.00	-	209,016	4,447,704	8.390
Series S	01/15/06	5.990%	36,000,000	2,156,400	38,256	-	61,416	2,256,072	6.270
Pollution Control Bonds - SECURED:									
Series 10	11/01/24	2.431% *	54,000,000	1,312,740	20,472.00	-	-	1,333,212	2.470
Series 11 - Series A	05/01/23	2.800% *	12,900,000	361,200	17,292.00	-	16,788	395,280	3.060
Series 12	02/01/32	2.870% *	20,930,000	600,691	4,101.00	-	36,300	641,092	3.060
Series 13	02/01/32	2.870% *	2,400,000	68,880	2,851.08	-	4,152	75,883	3.160
Series 14	02/01/32	2.870% *	2,400,000	68,880	1,140.00	-	15,648	85,668	3.570
Series 15	02/01/32	2.870% *	7,400,000	212,380	3,174.00	-	12,744	228,298	3.090
Series 16	10/01/32	2.847% *	96,000,000	2,733,120	72,705.48	-	186,024	2,991,849	3.120
Series 17	10/01/34	2.690% *	50,000,000	1,345,000	40,068.00	-	53,940	1,439,008	2.880
Called Bonds			-	-	-	-	203,448	203,450	-
Interest Rate Swaps:									
JP Morgan Chase Bank-Series P	05/15/07	1		(1,368,391)				(1,368,391)	
Marked-to-Market Liability Series P	05/15/07		3,492,700						
Notes Payable to Fidelity Corp.	04/30/13	4.55%	100,000,000	4,550,000	-	-	-	4,550,000	4.550
Notes Payable to Fidelity Corp.	08/15/13	5.31%	75,000,000	3,982,500	-	-	-	3,982,500	5.310
Notes Payable to Fidelity Corp.	11/24/10	4.24%	33,000,000	1,399,200	-	-	-	1,399,200	4.240
Notes Payable to Fidelity Corp.	12/19/05	2.29%	75,000,000	1,717,500	-	-	-	1,717,500	2.290
Notes Payable to Fidelity Corp.	01/16/12	4.39%	50,000,000	2,195,000	-	-	-	2,195,000	4.390
Total			671,522,700	25,532,700	241,148	-	799,476	26,573,325	3.957%

PREFERRED STOCK									
	Rate	Principal	Expense	Annualized Cost			Dividends	Embedded Cost	
				Premium/Discount	Gain	Adjusted Principal			
Series - 4.75%	4.75%	20,000,000	-	-	-	20,000,000	950,000	4.750	
Series - 6.53%	6.53%	20,000,000	(273,105)	-	-	19,726,895	1,306,000	6.620	
Total		40,000,000	(273,105)	-	-	39,726,895	2,256,000	5.679%	

SHORT TERM DEBT									
	Rate	Principal	Interest	Annualized Cost			Total	Embedded Cost	
				Expense	Premium	Loss			
Notes Payable to Associated Company	3.060% *	93,130,000	2,849,778	-	-	-	2,849,778	3.060	
Total		93,130,000	2,849,778	-	-	-	2,849,778	3.060%	

* Composite rate at end of current month.

1 Additional interest due to Swap Agreements:

Underlying Debt Being Hedged	Notional Amount	Expiration of Swap Agreement	Variable KU Swap Position	Fixed Counterparty Swap Position
Series P - FMB	53,000,000	May 15, 2007	To Pay: 3 mo LIBOR +207 bps	7.920%

2 Series M, P and R bonds were redeemed in 1993, 2003, and 2005, respectively. They were not replaced with other bond series. The remaining unamortized expense is being amortized over the remainder of the original lives (due 6/1/2006, 5/15/27 and 6/1/25 respectively) of the bonds as loss on required debt.

Distribution:

____ Scott Williams	____ Stephanie Pryor	____ Rhonda Anderson	____ Buddy Ray
____ Sean Purser	____ Elliott Home	____ Chris Garrett	____ Lynda Clark
____ Don Harris	____ Doug Leichty	____ David Cummings	____ Tom Bush

PREPARED BY: _____ Date: _____

REVIEWED BY: _____ Date: _____

KENTUCKY UTILITIES COMPANY
COMPARATIVE BALANCE SHEETS AS OF JUNE 30, 2005 AND 2004

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR	LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Utility Plant			Capitalization		
Utility Plant at Original Cost.....	3,756,070,519.70	3,645,813,883.27	Common Stock.....	308,139,977.56	308,139,977.56
Less Reserves for Depreciation & Amortization....	1,736,459,962.68	1,643,519,886.31	Common Stock Expense.....	(321,288.87)	(321,288.87)
Total.....	2,019,610,557.02	2,002,293,996.96	Paid-In Capital.....	15,000,000.00	15,000,000.00
Investments - At Cost			Other Comprehensive Income.....	-	(160,762.20)
Ohio Valley Electric Corporation.....	250,000.00	250,000.00	Retained Earnings.....	660,331,603.19	618,411,168.96
Investments in KU-R.....	-	-	Unappropriated Undistributed Subsidiary Earnings..	13,193,882.00	10,639,468.20
Nonutility Property-Less Reserve.....	895,961.94	896,372.34	Total Common Equity.....	996,344,173.88	951,708,563.65
Investments in Subsidiary Companies.....	14,489,682.00	11,935,268.20	Preferred Stock.....	39,726,894.58	39,726,894.58
Special Funds.....	5,666,913.82	5,570,796.55	First Mortgage Bonds.....	299,030,000.00	385,030,000.00
Other.....	441,354.99	543,562.16	Other Long-Term Debt.....	-	-
Total.....	21,743,912.75	19,195,999.25	LT Notes Payable to Associated Companies.....	258,000,000.00	333,000,000.00
Current and Accrued Assets			Long-Term Debt Marked to Market.....	3,492,700.00	10,039,796.00
Cash.....	3,712,110.99	9,554,936.60	Total Long-Term Debt.....	560,522,700.00	728,069,796.00
Special Deposits.....	144,590.77	142,349.19	Total Capitalization.....	1,596,593,768.46	1,719,505,254.23
Temporary Cash Investments.....	26,183.59	-	Current and Accrued Liabilities		
Accounts Receivable-Less Reserve.....	99,316,745.22	94,899,337.86	Advances from Associated Companies.....	-	-
Notes Receivable from Assoc. Companies.....	-	-	Long-Term Debt Due in 1 Year.....	111,000,000.00	-
Notes Receivable from KU-R.....	-	-	Notes Payable.....	-	-
Accounts Receivable from Assoc Companies.....	21,401,601.84	9,387,821.16	Notes Payable to Associated Companies.....	93,130,000.00	53,180,541.95
Materials & Supplies-At Average Cost			Accounts Payable.....	70,168,703.04	48,355,830.01
Fuel.....	57,340,127.07	35,551,846.80	Accounts Payable to Associated Companies.....	47,015,779.27	25,114,902.04
Plant Materials & Operating Supplies.....	23,558,555.80	22,222,739.09	Customer Deposits.....	16,171,580.72	13,867,098.18
Stores Expense.....	5,691,710.26	5,144,123.98	Taxes Accrued.....	10,304,101.50	17,009,531.54
Allowance Inventory.....	2,737,714.01	5,930,971.34	Interest Accrued.....	5,763,431.02	5,465,163.24
Prepayments.....	2,158,913.20	3,327,479.21	Dividends Declared.....	187,998.47	188,000.00
Miscellaneous Current & Accrued Assets.....	970,386.83	607,471.93	Misc. Current & Accrued Liabilities.....	10,826,210.20	7,712,890.22
Total.....	217,058,639.58	186,769,077.16	Total.....	364,567,804.22	170,893,957.18
Deferred Debits and Other			Deferred Credits and Other		
Unamortized Debt Expense.....	4,258,496.49	4,349,292.07	Accumulated Deferred Income Taxes.....	321,878,101.76	340,833,305.95
Unamortized Loss on Bonds.....	11,416,146.20	10,127,383.90	Investment Tax Credit.....	2,955,349.32	4,831,975.32
Accumulated Deferred Income Taxes.....	46,124,075.73	60,990,722.37	Regulatory Liabilities.....	40,726,029.38	50,208,800.73
Deferred Regulatory Assets.....	56,695,902.99	69,215,224.80	Customer Advances for Construction.....	1,551,575.30	1,624,500.46
Other Deferred Debits.....	73,249,904.96	39,231,468.76	Asset Retirement Obligations.....	21,538,903.36	20,338,828.27
Total.....	191,744,526.37	183,914,091.90	Other Deferred Credits.....	18,619,443.99	18,440,264.13
Total Assets and Other Debits.....	2,450,157,635.72	2,392,173,165.27	Misc. Long-Term Liabilities.....	17,682,093.55	4,728,350.08
			Accum Provision for Post-Retirement Benefits.....	64,044,566.38	60,767,928.92
			Total.....	488,996,063.04	501,773,953.86
			Total Liabilities and Other Credits.....	2,450,157,635.72	2,392,173,165.27

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of June 2005

Determination of Environmental Compliance Rate Base

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$240,957,922	
Eligible Pollution CWIP Excluding AFUDC	\$2,081,266	
Subtotal		\$243,039,188
Additions:		
Inventory - Limestone	\$0	
Less: Limestone Inventory in base rates	\$0	
Inventory - Emission Allowances per Form 2.31	\$2,724,603	
less Allowance Inventory baseline	(\$69,415)	
Net Emission Allowance Inventory	\$2,794,018	
Cash Working Capital Allowance	\$91,165	
Subtotal		\$2,885,183
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$7,200,549	
Pollution Control Deferred Income Taxes	\$26,433,539	
Pollution Control Deferred Investment Tax Credit	\$0	
Subtotal		\$33,634,088
Environmental Compliance Rate Base		\$212,290,282

Determination of Pollution Control Operating Expenses

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$240,921
Monthly Depreciation & Amortization Expense	\$496,519
Monthly Taxes Other Than Income Taxes	\$29,789
Monthly Insurance Expense	\$0
Monthly Emission Allowance Expense from Form 2.31	\$ 158,034
Less Monthly Emission Allowance in base rates (1/12 of \$58,345.76)	\$(4,862)
Net Recoverable Emission Allowance Expense	\$162,896
Monthly Surcharge Consultant Fee	
Total Pollution Control Operating Expense	\$930,125

Gross Proceeds From By-Product and Allowance Sales (1994 Plan Only)

Allocated Allowances from EPA	Allowances from Over-Control	Allowances from Purchases	Total Proceeds from Allowance Sales	Proceeds from By-Products Sales
(\$286,166)	\$0	\$0	(\$286,166)	\$0

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

MESF for April Expense Month	3.15%
Net Jurisdictional E(m) for April Expense Month	2,225,562
Environmental Surcharge Revenue, current month (from Form 3.00)	2,204,030
Environmental Surcharge Revenue recovered through base rates (Base Revenues, Form 3.0 * .30%)	173,680
Over/(Under) Recovery due to Timing Differences (D - C)	152,148
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

KENTUCKY UTILITIES COMPANY

**Calculation of Revenue Requirement for Roll-In:
Case No. 2003-00068**

		1995 Plan	Post-1995 Plan	Capitalization Adjustment
Environmental Compliance Rate Base				
Pollution Control Plant in Service	ES Form 2.0, May 2002	176,531,889	9,775,541	9,775,541
Pollution Control CWIP Excluding AFUDC	ES Form 2.0, May 2002	1,243,596	8,787,082	8,787,082
Subtotal		177,775,485	18,562,623	18,562,623
 Additions:				
Inventory - Spare Parts	ES Form 2.0, May 2002	1,261,319	-	-
Inventory - Limestone	ES Form 2.0, May 2002	158,245	-	-
Inventory - Emission Allowances	ES Form 2.0, May 2002	117,310	-	-
Cash Working Capital Allowance	ES Form 2.0, May 2002	853,850	-	NA
Subtotal		2,390,724	-	-
 Deductions:				
Accumulated Depreciation on Pollution Control Plant	ES Form 2.0, May 2002	56,196,133	64,993	64,993
Pollution Control Deferred Income Taxes	ES Form 2.0, May 2002	18,640,410	81,447	NA
Pollution Control Deferred Investment Tax Credit	ES Form 2.0, May 2002	-	-	NA
Subtotal		74,836,543	146,440	64,993
Environmental Compliance Rate Base		105,329,666	18,416,183	18,497,630
Rate of Return -- Environmental Compliance Rate Base		6.27%	14.41%	
Return on Environmental Compliance Rate Base		6,604,170	2,653,772	
Pollution Control Operating Expenses				
12 Month Depreciation and Amortization Expense	See Support Schedule A	7,084,107	64,993	
12 Month Taxes Other than Income Taxes	See Support Schedule A	202,572	9,375	
12 Month Insurance Expense	See Support Schedule A	74,676	-	
12 Month Emission Allowance Expense	See Support Schedule A	110,749	-	
12 Month Operating and Maintenance Expense	See Support Schedule A	6,830,800	-	5,190,221
Less O&M Expenses Already Included in Base Rates	ES Form 2.1, May 2002			
Total Pollution Control Operating Expenses		14,302,904	74,368	12,662,325
Gross Proceeds from By-Product & Allowance Sales	See Support Schedule B	391,001		
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount				
Return on Environmental Compliance Rate Base		6,604,170	2,653,772	
Pollution Control Operating Expenses		14,302,904	74,368	12,662,325
Less Gross Proceeds from By-Product & Allowance Sales		(391,001)	-	
Roll In Amount		20,516,073	2,728,140	18,875,494
Jurisdictional Allocation Ratio -- Roll In	See Support Schedule C	77.1941%	77.1941%	
Jurisdictional Revenues for 12 Months for Roll In	See Support Schedule C	591,220,529	591,220,529	
 Roll In Jurisdictional Environmental Surcharge Factor:				
Total Company Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		20,516,073	2,728,140	18,875,494
Jurisdictional Allocation Ratio -- Roll In		77.1941%	77.1941%	
Jurisdictional Environmental Surcharge Gross Revenue Requirement -- Roll In Amount		15,837,192	2,105,962	17,943,154
Base Rate Increase		2.6787%	0.3562%	3.0349%

Blake Exhibit 3
Sponsoring Witness: Kent Blake
Page 1 of 2

KENTUCKY UTILITIES

**Net Original Cost Kentucky Jurisdictional Rate Base
At June 30, 2005**

Title of Account (1)	Kentucky Jurisdictional Rate Base at June 30, 2005 (2)	Other Jurisdictional Rate Base at June 30, 2005 (3)	Total Company Rate Base at June 30, 2005 (4)
1. Utility Plant at Original Cost	\$ 3,269,705,216	\$ 486,359,003	\$ 3,756,064,219
2. Deduct:			
3. Reserve for Depreciation	1,496,503,901	239,956,062	1,736,459,963
4. Net Utility Plant	<u>1,773,201,315</u>	<u>246,402,941</u>	<u>2,019,604,256</u>
5. Deduct:			
6. Customer Advances for Construction	1,536,470	15,105	1,551,575
7. Accumulated Deferred Income Taxes	265,911,069	40,161,335	306,072,404
8. Asset Retirement Obligation-Net Assets	5,652,637	914,078	6,566,715
9. Asset Retirement Obligation-Liabilities	(18,540,716)	(2,998,187)	(21,538,903)
10. Asset Retirement Obligation-Regulatory Assets	11,748,452	1,899,822	13,648,274
11. Asset Retirement Obligation-Regulatory Liabilities	(1,331,127)	(215,254)	(1,546,381)
12. Reclassification of Accumulated Depreciation associated with Cost of Removal for underlying ARO Assets	2,337,238	377,951	2,715,189
13. Investment Tax Credit	2,472,147	483,204	2,955,351
14. Total Deductions	<u>269,786,171</u>	<u>40,638,053</u>	<u>310,424,224</u>
15. Net Plant Deductions	1,503,415,144	205,764,888	1,709,180,032
16. Add:			
17. Materials and Supplies (a)	63,198,224	10,119,919	73,318,143
18. Prepayments (a)(b)	1,661,011	242,356	1,903,367
19. Emission Allowances	2,356,627	381,087	2,737,714
20. Cash Working Capital	59,630,561	6,597,745	66,228,306
21. Total Additions	<u>126,846,423</u>	<u>17,341,107</u>	<u>144,187,530</u>
22. Total Net Original Cost Rate Base	<u>\$ 1,630,261,567</u>	<u>\$ 223,105,995</u>	<u>\$ 1,853,367,562</u>
23. Percentage of KY Jurisdictional Rate Base to Total Company Rate Base			<u>87.96%</u>

(a) Average for 13 months.

(b) Includes prepayments for property insurance only.

Blake Exhibit 3
Sponsoring Witness: Kent Blake
Page 2 of 2

KENTUCKY UTILITIES

**Calculation of Cash Working Capital
At June 30, 2005**

Title of Account (1)	Kentucky Jurisdictional Rate Base at June 30, 2005 (2)	Other Jurisdictional Rate Base at June 30, 2005 (3)	Total Company Rate Base at June 30, 2005 (4)
1. Operating and maintenance expense for the 12 months ended June 30, 2005	\$ 622,319,076	\$ 92,848,845	\$ 715,167,921
2. Deduct:			
3. Electric Power Purchased	145,274,584	23,305,571	168,580,155
4. Total Deductions	\$ 145,274,584	\$ 23,305,571	\$ 168,580,155
5. Remainder (Line 1 - Line 5)	<u>\$ 477,044,492</u>	<u>\$ 69,543,275</u>	<u>\$ 546,587,766</u>
6. Cash Working Capital	<u>\$ 59,630,561</u>	<u>\$ 6,597,745</u>	<u>\$ 66,228,306</u>
Kentucky Jurisdictional (12 1/2% of Line 5)			
Other Jurisdictional comprised of FERC, Tennessee, and Virginia Jurisdictional methodologies.			

KENTUCKY UTILITIES COMPANY
ELECTRIC COST OF SERVICE STUDY
JURISDICTIONAL SEPARATION

RATE BASE: END OF YEAR
ALLOCATION METHOD: AVG 12 CP

12 MONTHS ENDING JUNE 30, 2005

ALLOC	TOTAL KENTUCKY UTILITIES (1)-1	KENTUCKY STATE JURISDICTION (2)	VIRGINIA STATE JURISDICTION (3)	FERC & TENNESSEE JURISDICTION (4)	
SUMMARY OF RESULTS AS ALLOCATED					
ELEMENTS OF RATE BASE					
1	PLANT IN SERVICE	3,616,616,569	3,140,632,072	227,514,352	248,470,145
2	LESS RESERVE FOR DEPRECIATION	1,736,459,963	1,496,503,901	117,322,167	122,633,895
3	NET PLANT IN SERVICE	1,880,156,607	1,644,128,171	110,192,185	125,836,251
4	CONST WORK IN PROGRESS	139,447,650	129,073,144	5,653,271	4,721,235
5	NET PLANT	2,019,604,257	1,773,201,315	115,845,456	130,557,486
ADD:					
6	MATERIALS & SUPPLIES	28,369,997	24,619,900	1,862,242	1,887,855
7	FUEL INVENTORY	54,340,127	46,840,455	2,560,902	4,938,770
8	PREPAYMENTS	1,730,321	1,509,993	106,754	113,574
9	WORKING CASH	66,228,307	59,630,561	1,419,169	5,178,576
10	EMISSION ALLOWANCES	2,737,714	2,356,627	137,473	243,614
11	TOTAL ADDITIONS	153,406,467	134,957,537	6,086,540	12,362,389
DEDUCT:					
12	RESERVE FOR DEF TAXES	306,072,405	265,911,069	18,036,837	22,124,498
13	RESERVE FOR ITC	2,955,351	2,472,147	273,236	209,968
14	CUSTOMER ADVANCES	1,551,575	1,536,470	15,105	-
15	CUSTOMER DEPOSITS	16,171,581	15,416,844	754,736	-
16	DEFERRED FUEL-VIRGINIA	2,251,414	-	2,251,414	-
17	OPEB UNFUNDED	64,044,566	56,916,465	3,660,222	3,467,880
18	TOTAL DEDUCTIONS	393,046,892	342,252,996	24,991,550	25,802,346
19	NET ORIGINAL COST RATE BASE	1,779,963,831	1,565,905,857	96,940,446	117,117,529
DEVELOPMENT OF RETURN					
20	OPERATING REVENUES	1,067,114,684	933,078,332	54,080,952	79,955,400
OPERATING EXPENSES					
21	OPERATION & MAINT EXPENSE	715,167,921	622,319,076	36,161,563	56,687,283
22	DEPRECIATION & AMORT EXP	115,374,108	100,570,411	7,069,926	7,733,771
23	REGULATORY CREDITS	(1,553,118)	(1,336,926)	(77,989)	(138,203)
24	TAXES OTHER THAN INC TAX	16,889,145	14,999,975	909,106	980,064
25	INCOME TAXES	73,807,978	65,575,134	3,083,778	5,149,066
26	GAIN DISPOSITION ALLOWANCES	(1,108,364)	(954,081)	(55,656)	(98,627)
27	ACCRETION EXPENSE	1,345,086	1,157,852	67,543	119,692
28	TOTAL OPERATING EXPENSES	919,922,755	802,331,440	47,158,270	70,433,046
29	RETURN	147,191,928	130,746,892	6,922,682	9,522,354

**Kentucky Utilities Company
13-Month Average Calculations**

	<u>Materials & Supplies</u>	<u>Undistributed Stores Expense</u>	<u>Fuel Inventory</u>	<u>Prepaid Insurance</u>
Jun-2004	22,222,739	5,144,124	35,551,847	1,921,906
Jul-2004	22,245,129	5,099,144	33,092,182	1,466,875
Aug-2004	22,275,297	5,206,344	35,481,102	1,011,845
Sep-2004	22,305,463	5,347,729	30,260,166	581,704
Oct-2004	22,507,310	5,410,626	32,249,856	123,908
Nov-2004	22,613,908	5,346,933	43,838,549	80,020
Dec-2004	22,573,864	5,397,804	52,248,632	3,468,360
Jan-2005	22,601,740	5,442,074	47,507,159	3,586,216
Feb-2005	22,751,619	5,499,492	47,236,431	3,168,104
Mar-2005	22,900,898	5,543,949	49,847,461	2,940,658
Apr-2005	22,950,901	5,670,378	58,615,951	2,530,089
May-2005	23,310,270	5,612,162	64,636,233	2,133,767
Jun-2005	23,558,556	5,691,710	57,340,127	1,730,321
13-Month Totals	<u>294,817,693</u>	<u>70,412,470</u>	<u>587,905,697</u>	<u>24,743,772</u>
13-Month Averages	22,678,284	5,416,344	45,223,515	1,903,367
Kentucky Jurisdictional Allocation Factors	Calculated 0.86194	M&S 0.86195	ENERGY 0.86199	EXP9245 0.87267
Kentucky Jurisdictional Balances	<u>19,547,388</u>	<u>4,668,618</u>	<u>38,982,218</u>	<u>1,661,011</u>

There are 3 allocation factors applicable to Materials & Supplies.

A weighted average of the 3 factors has been used to determine that allocation factor.

	<u>6/2005 Account Bal.</u>	<u>Percentage of Total</u>	<u>Allocation Title</u>	<u>Allocation Factor</u>	<u>Weighted Avg. Alloc. Factor</u>
M&S - Production	14,644,880	64.577%	PRODPLT	0.85070	0.549357
M&S - Transmission	3,198,746	14.105%	TRANPLT	0.79650	0.112346
M&S - Distribution	4,834,661	21.318%	DISTPLT	0.93930	0.200240
Calculated Factor	<u>22,678,287</u>				<u>0.861943</u>

Note: Monthly data source is Financial Reports, Page 5 and 8. Functional M&S and allocation factors from COS.

Kentucky Utilities Company
 ARO Rollforward Schedule - 2005

	ARO Assets	ARO Liabilities	Regulatory Assets	Regulatory Liabilities	Accretion Expense	Depreciation Expense	Depreciation Expense	Regulatory Credit
	Net	2004/2005	182317/182319	25401/25401	47150/47151	10500/10500	10217/405312	40740/40740
12/31/04 Balances	6,674,329.26	-20,953,440.55	12,843,768.55	-1,414,284.60				
ARO Accretion		-347,037.00	347,037.00		347,037.00			-347,037.00
ARO Depreciation	-53,806.89		53,806.89				53,806.89	-53,806.89
2004 JE Correction			2,817.61					-2,817.61
Incurred COR - Gen		98,931.19						
Accrue COR				-66,048.07		66,048.07		
Total 03/31/05	6,620,522.37	-21,201,546.36	13,247,430.05	-1,480,332.67	347,037.00	66,048.07	53,806.89	-403,661.50
ARO Accretion		-347,037.00	347,037.00		347,037.00			-347,037.00
ARO Depreciation	-53,806.89		53,806.89				53,806.89	-53,806.89
Incurred COR - Gen		9,680.00						
Accrue COR				-66,048.06		66,048.06		
Total 06/30/05	6,566,715.48	-21,538,903.36	13,648,273.94	-1,546,380.73	694,074.00	132,096.13	107,613.78	-804,505.39

*Reclaim Acc. Deprac.
 for ARO Assets # 2,715,189 Debit Bal.*

KENTUCKY UTILITIES COMPANY
COMPARATIVE STATEMENT OF INCOME
JUNE 30, 2005

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT	%
Electric Operating Revenues.....	1,066,976,074.78	925,383,004.96	141,593,069.82	15.30
Rate Refunds.....	138,608.55	7,328,288.44	(7,189,679.89)	(98.11)
Total Operating Revenues.....	1,067,114,683.33	932,711,293.40	134,403,389.93	14.41
Operating Expenses				
Fuel	325,546,881.60	277,485,241.39	48,061,640.21	17.32
Power Purchased.....	168,580,154.71	120,519,476.42	48,060,678.29	39.88
Other Operation Expenses.....	148,893,215.00	144,020,994.80	4,872,220.20	3.38
Maintenance.....	72,147,669.73	52,809,501.22	19,338,168.51	36.62
Depreciation.....	109,384,104.49	95,820,727.95	13,563,376.54	14.16
Amortization Expense.....	5,990,002.97	5,480,712.34	509,290.63	9.29
Regulatory Credits.....	(1,553,118.34)	(1,470,705.32)	(82,413.02)	5.60
Taxes				
Federal Income.....	54,764,989.59	37,803,767.57	16,961,222.02	44.87
State Income.....	15,158,376.45	17,019,427.67	(1,861,051.22)	(10.93)
Deferred Federal Income - Net.....	3,970,264.87	23,961,916.26	(19,991,651.39)	(83.43)
Deferred State Income - Net.....	(85,653.38)	366,953.54	(452,606.92)	(123.34)
Federal Income - Estimated.....	-	-	-	-
State Income - Estimated.....	-	-	-	-
Property and Other.....	16,889,145.28	16,261,810.31	627,334.97	3.86
Loss (Gain) from Disposition of Allowances.....	(1,108,364.26)	(444,234.89)	(664,129.37)	149.50
Accretion Expense.....	1,345,086.00	1,261,668.00	83,418.00	6.61
Total Operating Expenses.....	919,922,754.71	790,897,257.26	129,025,497.45	16.31
Net Operating Income.....	147,191,928.62	141,814,036.14	5,377,892.48	3.79
Other Income Less Deductions				
Other Income Less Deductions.....	9,600,499.26	6,256,840.02	3,343,659.24	53.44
AFUDC - Equity.....	211,800.87	1,471,752.49	(1,259,951.62)	(85.61)
Total Other Income Less Deductions.....	9,812,300.13	7,728,592.51	2,083,707.62	26.96
Income Before Interest Charges.....	157,004,228.75	149,542,628.65	7,461,600.10	4.99
Interest on Long Term Debt.....	22,282,973.01	20,061,897.10	2,221,075.91	11.07
Amortization of Debt Expense - Net.....	2,911,022.23	1,015,497.10	1,895,525.13	186.66
Other Interest Expenses.....	3,131,351.24	3,662,901.35	(531,550.11)	(14.51)
AFUDC - Borrowed Funds.....	(42,372.98)	(598,602.09)	556,229.11	(92.92)
Total Interest Charges.....	28,282,973.50	24,141,693.46	4,141,280.04	17.15
Net Inc Before Cumulative Effect of Acctg Chg....	128,721,255.25	125,400,935.19	3,320,320.06	2.65
Cumulative Effect of Accounting Chg Net of Tax....	-	-	-	-
Net Income.....	128,721,255.25	125,400,935.19	3,320,320.06	2.65
Preferred Dividend Requirements.....	2,256,004.67	2,256,006.50	(1.83)	-
Earnings Available for Common.....	126,465,250.58	123,144,928.69	3,320,321.89	2.70

KENTUCKY UTILITIES

Calculation of Overall Revenue Deficiency/(Sufficiency) at June 30, 2005

	(1)		
SECTION I - VALUE DELIVERY SURCREDIT EFFECTIVE	10.00%	ROE RANGE 10.50%	11.00%
1. Adjusted Kentucky Jurisdictional Capitalization (Exhibit 2, Col 13)	\$ 1,368,045,946	\$ 1,368,045,946	\$ 1,368,045,946
2. Total Cost of Capital (Exhibit 2, Col 16)	7.28%	7.56%	7.83%
3. Net Operating Income Found Reasonable (Line 1 x Line 2)	\$ 99,593,745	\$ 103,424,274	\$ 107,117,998
4. Pro-forma Net Operating Income prior to Value Delivery Surcredit expiration	88,222,863	88,222,863	88,222,863
5. Net Operating Income Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	\$ 11,370,882	\$ 15,201,411	\$ 18,895,135
6. Gross Up Revenue Factor - Blake Exhibit 1, Reference Schedule 1.74	0.60252327	0.60252327	0.60252327
7. Overall Revenue Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	<u>\$ 18,872,104</u>	<u>\$ 25,229,582</u>	<u>\$ 31,360,008</u>
<u>SECTION II - VALUE DELIVERY SURCREDIT EXPIRED</u>			
1. Adjusted Kentucky Jurisdictional Capitalization (Exhibit 2, Col 13)	\$ 1,368,045,946	\$ 1,368,045,946	\$ 1,368,045,946
2. Total Cost of Capital (Exhibit 2, Col 16)	7.28%	7.56%	7.83%
3. Net Operating Income Found Reasonable (Line 1 x Line 2)	\$ 99,593,745	\$ 103,424,274	\$ 107,117,998
4. Pro-forma Net Operating Income for expiration of Value Delivery Surcredit	100,107,711	100,107,711	100,107,711
5. Net Operating Income Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	\$ (513,966)	\$ 3,316,563	\$ 7,010,287
6. Gross Up Revenue Factor - Blake Exhibit 1, Reference Schedule 1.74	0.60252327	0.60252327	0.60252327
7. Overall Revenue Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	<u>\$ (853,023)</u>	<u>\$ 5,504,456</u>	<u>\$ 11,634,882</u>

Blake Exhibit 5
Sponsoring Witness: Kent Blake
Page 1 of 1

KENTUCKY UTILITIES

**Kentucky Jurisdictional Rate of Return on Common Equity
For the Twelve Months Ended June 30, 2005**

Section I - Value Delivery Surcredit Effective

	Adjusted Kentucky Jurisdictional Capitalization (Exhibit 2 Col 13) (1)	Percent of Total (2)	Annual Cost Rate (Exhibit 2 Col 15) (3)	Weighted Cost of Capital (Col 2 x Col 3) (4)
1. Short Term Debt	\$71,280,264	5.21%	3.06%	0.16%
2. Long Term Debt	\$513,966,267	37.57%	3.96%	1.49%
3. Preferred Stock	\$30,410,421	2.22%	5.68%	0.13%
4. Common Equity	<u>\$752,388,994</u>	<u>55.00%</u>	8.49% (a)	<u>4.67%</u> (b)
5.	<u>\$1,368,045,946</u>	<u>100.00%</u>		<u>6.45%</u>
6. Pro-forma Net Operating Income prior to Value Delivery Surcredit expiration				\$88,222,863 (c)
7. Net Operating Income / Total Capitalization				6.45% (e)

Section II - Value Delivery Surcredit Expired

	Adjusted Kentucky Jurisdictional Capitalization (Exhibit 2 Col 13) (1)	Percent of Total (2)	Annual Cost Rate (Exhibit 2 Col 15) (3)	Weighted Cost of Capital (Col 2 x Col 3) (4)
1. Short Term Debt	\$71,280,264	5.21%	3.06%	0.16%
2. Long Term Debt	\$513,966,267	37.57%	3.96%	1.49%
3. Preferred Stock	\$30,410,421	2.22%	5.68%	0.13%
4. Common Equity	<u>\$752,388,994</u>	<u>55.00%</u>	10.07% (a)	<u>5.54%</u> (b)
5.	<u>\$1,368,045,946</u>	<u>100.00%</u>		<u>7.32%</u>
6. Pro-forma Net Operating Income for expiration of Value Delivery Surcredit				\$100,107,711 (d)
7. Net Operating Income / Total Capitalization				7.32% (e)

Notes: (a) - Column 4, Line 4 / Column 2, Line 4
(b) - Column 4, Line 5 - Line 1 - Line 2 - Line 3
(c) - Exhibit 1, Line 30, Column 4
(d) - Exhibit 1, Line 37, Column 4
(e) - Column 4, Line 6 divided by Column 1, Line 5

Blake Exhibit 1
Reference Schedule 1.11
Sponsoring Witness: Kent Blake

KENTUCKY UTILITIES

**Adjustment to Eliminate Environmental Surcharge Revenues and Expenses
For the Twelve Months Ended June 30, 2005**

<u>Expense Month</u>	<u>Revenues All Plans</u>	<u>Expenses Post '94 Plan</u>	<u>Expenses Roll-In</u>	<u>Net of Roll-In Expenses Post '94 Plan</u>	<u>Net</u>
Jul-04	\$ 1,576,134	\$ 458,578	\$ (6,197)	\$ 452,381	
Aug-04	1,282,367	417,126	(6,197)	410,929	
Sep-04	1,115,530	436,502	(6,197)	430,305	
Oct-04	1,099,282	412,893	(6,197)	406,696	
Nov-04	1,676,595	258,327	(6,197)	252,130	
Dec-04	1,958,572	4,627,568	(6,197)	4,621,371	
Jan-05	2,279,163	727,540	(6,197)	721,343	
Feb-05	4,312,170	683,523	(6,197)	677,326	
Mar-05	1,381,557	765,330	(6,197)	759,133	
Apr-05	1,226,103	671,457	(6,197)	665,260	
May-05	1,665,912	(337,492)	(6,197)	(343,689)	
Jun-05	<u>2,204,030</u>	<u>1,206,567</u>	<u>(6,197)</u>	<u>1,200,370</u>	
		10,327,919	(74,364)	10,253,555	
Jurisdictional %				<u>86.763%</u>	
Total	<u>\$ 21,777,415</u>			<u>\$ 8,896,292</u>	<u>\$ 12,881,123</u>
Adjustment	<u>\$(21,777,415)</u>			<u>\$ (8,896,292)</u>	<u>\$ (12,881,123)</u>

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Monthly Average Revenue Computation of R (m)**

For the Month Ended June 30, 2005

	Kentucky Jurisdictional Revenues					Non-Jurisdictional Revenues	Total Company Revenues	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Month	Base Rate Revenues	Fuel Clause Revenues	Environmental Surcharge Revenues	Total (2)+(3)+(4)	Total Excluding Environmental Surcharge (5)-(4)	Total Including Off-System Sales (See Note 1)	Total (5)+(7)	Total Excluding Environmental Surcharge (8)-(4)
Jul-04	64,665,041.00	125,310.77	1,576,133.95	\$ 66,366,485.72	\$ 64,790,351.77	16,451,957.57	\$ 82,818,443.29	\$ 81,242,309.34
Aug-04	63,798,012.50	1,960,546.91	1,282,366.71	67,040,926.12	65,758,559.41	13,985,937.22	81,026,863.34	79,744,496.63
Sep-04	62,924,139.14	2,247,389.41	1,115,529.77	66,287,058.32	65,171,528.55	18,907,883.40	85,194,941.72	84,079,411.95
Oct-04	56,360,301.38	2,767,599.80	1,099,281.90	60,227,183.08	59,127,901.18	22,492,591.73	82,719,774.81	81,620,492.91
Nov-04	54,030,918.12	3,881,714.43	1,676,594.76	59,589,227.31	57,912,632.55	13,726,272.97	73,315,500.28	71,638,905.52
Dec-04	63,820,738.63	4,540,287.80	1,958,572.15	70,319,598.58	68,361,026.43	20,475,792.58	90,795,391.16	88,836,819.01
Jan-05	70,828,541.85	3,450,575.21	2,279,162.78	76,558,279.84	74,279,117.06	26,301,291.40	102,859,571.24	100,580,408.46
Feb-05	66,869,405.08	4,246,655.72	4,312,169.53	75,428,230.33	71,116,060.80	23,561,104.95	98,989,335.28	94,677,165.75
Mar-05	65,870,196.65	4,865,508.19	1,381,557.28	72,117,262.12	70,735,704.84	23,119,261.78	95,236,523.90	93,854,966.62
Apr-05	57,893,284.60	4,799,781.61	1,226,103.37	63,919,169.58	62,693,066.21	14,100,893.99	78,020,063.57	76,793,960.20
May-05	51,590,102.21	3,325,274.70	1,665,912.22	56,581,289.13	54,915,376.91	18,544,096.59	75,125,385.72	73,459,473.50
Jun-05	60,622,382.14	7,375,089.78	2,204,030.23	70,201,502.15	67,997,471.92	17,901,762.30	88,103,264.45	85,899,234.22
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month.					\$65,238,233.14			
Jurisdictional Allocation Percentage for Current Month (Environmental Surcharge Excluded from Calculations): Expense Month Kentucky Jurisdictional Revenues Divided by Expense Month Total Company Revenues: Column (6) / Column (9) =								79.16%
						Note 1 - Excludes Brokered Sales, Total for Current Month = \$		338,534.00

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of June 2005

Determination of Environmental Compliance Rate Base

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$240,957,922	
Eligible Pollution CWIP Excluding AFUDC	\$2,081,266	
Subtotal		\$243,039,188
Additions:		
Inventory - Limestone	\$0	
Less: Limestone Inventory in base rates	\$0	
Inventory - Emission Allowances per Form 2.31	\$2,724,603	
less Allowance Inventory baseline	(\$69,415)	
Net Emission Allowance Inventory	\$2,794,018	
Cash Working Capital Allowance	\$91,165	
Subtotal		\$2,885,183
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$7,200,549	
Pollution Control Deferred Income Taxes	\$26,433,539	
Pollution Control Deferred Investment Tax Credit	\$0	
Subtotal		\$33,634,088
Environmental Compliance Rate Base		\$212,290,282

Determination of Pollution Control Operating Expenses

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$240,921
Monthly Depreciation & Amortization Expense	\$496,519
Monthly Taxes Other Than Income Taxes	\$29,789
Monthly Insurance Expense	\$0
Monthly Emission Allowance Expense from Form 2.31	\$ 158,034
Less Monthly Emission Allowance in base rates (1/12 of \$58,345.76)	\$ (4,862)
Net Recoverable Emission Allowance Expense	\$162,896
Monthly Surcharge Consultant Fee	
Total Pollution Control Operating Expense	\$930,125

Gross Proceeds From By-Product and Allowance Sales (1994 Plan Only)

Allocated Allowances from EPA	Allowances from Over-Control	Allowances from Purchases	Total Proceeds from Allowance Sales	Proceeds from By-Products Sales
(\$286,166)	\$0	\$0	(\$286,166)	\$0

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

MESF for April Expense Month	3.15%
Net Jurisdictional E(m) for April Expense Month	2,225,562
Environmental Surcharge Revenue, current month (from Form 3.00)	2,204,030
Environmental Surcharge Revenue recovered through base rates (Base Revenues, Form 3.0 * .30%)	173,680
Over/(Under) Recovery due to Timing Differences (D - C)	152,148
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of May 2005
Determination of Environmental Compliance Rate Base

	1994 Plan	Post-1994 Plan
Eligible Pollution Control Plant	\$0	\$240,957,922
Eligible Pollution CWIP Excluding AFUDC	\$0	\$0
Subtotal	\$0	\$240,957,922
Additions:		
Inventory - Spare Parts	\$0	\$0
Inventory - Limestone	\$0	\$0
Inventory - Emission Allowances per Form 2.30	\$0	\$2,895,748
less Allowance Inventory baseline	\$0	\$69,415
Net Emission Allowance Inventory	\$0	\$2,826,333
Cash Working Capital Allowance	\$0	\$77,362
Subtotal	\$0	\$2,903,695
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$0	\$6,704,030
Pollution Control Deferred Income Taxes	\$0	\$26,140,255
Pollution Control Deferred Investment Tax Credit	\$0	\$0
Subtotal	\$0	\$32,844,285
Environmental Compliance Rate Base	\$0	\$211,017,332

Determination of Pollution Control Operating Expenses

	1994 Plan	Post-1994 Plan
Monthly Operations & Maintenance Expense (Incremental for 1994)	\$0	\$148,495
Monthly Depreciation & Amortization Expense	\$0	\$496,519
Monthly Taxes Other Than Income Taxes	\$0	\$29,789
Monthly Insurance Expense	\$0	\$0
Monthly Emission Allowance Expense	\$0	\$96,070
Monthly Surcharge Consultant Fee	\$0	\$0
Total Pollution Control Operating Expense	\$0	\$770,872

Gross Proceeds From By-Product and Allowance Sales (1994 Plan Only)

Allocated Allowances from EPA	Allowances from Over-Control	Allowances from Purchases	Total Proceeds from Allowance Sales	Proceeds from By-Products Sales
\$1,108,364	\$0	\$0	\$1,108,364	\$0

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

MESF for March Expense Month	2.85%
Net Jurisdictional E(m) for March Expense Month	2,011,115
Environmental Surcharge Revenue, current month (from Form 3.00)	1,665,912
Environmental Surcharge Revenue recovered through base rates (Base Revenues, Form 3.0 * .30%)	154,770
Over/(Under) Recovery due to Timing Differences (D - C)	(190,432)
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of April 2005
Determination of Environmental Compliance Rate Base

	1994 Plan	Post-1994 Plan
Eligible Pollution Control Plant	\$0	\$240,957,922
Eligible Pollution CWIP Excluding AFUDC	\$0	\$0
Subtotal	\$0	\$240,957,922
Additions:		
Inventory - Spare Parts	\$0	\$0
Inventory - Limestone	\$0	\$0
Inventory - Emission Allowances per Form 2.30	\$0	\$2,996,680
less Allowance Inventory baseline	\$0	\$69,415
Net Emission Allowance Inventory	\$0	\$2,927,265
Cash Working Capital Allowance	\$0	\$59,833
Subtotal	\$0	\$2,987,098
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$0	\$6,207,512
Pollution Control Deferred Income Taxes	\$0	\$25,846,971
Pollution Control Deferred Investment Tax Credit	\$0	\$0
Subtotal	\$0	\$32,054,483
Environmental Compliance Rate Base	\$0	\$211,890,536

Determination of Pollution Control Operating Expenses

	1994 Plan	Post-1994 Plan
Monthly Operations & Maintenance Expense (Incremental for 1994)	\$0	\$17,761
Monthly Depreciation & Amortization Expense	\$0	\$496,519
Monthly Taxes Other Than Income Taxes	\$0	\$29,789
Monthly Insurance Expense	\$0	\$0
Monthly Emission Allowance Expense	\$0	\$127,388
Monthly Surcharge Consultant Fee	\$0	\$0
Total Pollution Control Operating Expense	\$0	\$671,457

Gross Proceeds From By-Product and Allowance Sales (1994 Plan Only)

Allocated Allowances from EPA	Allowances from Over-Control	Allowances from Purchases	Total Proceeds from Allowance Sales	Proceeds from By-Products Sales
\$0	\$0	\$0	\$0	\$0

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

MESF for February Expense Month	1.90%
Net Jurisdictional E(m) for February Expense Month	1,380,727
Environmental Surcharge Revenue, current month (from Form 3.00)	1,226,103
Environmental Surcharge Revenue recovered through base rates (Base Revenues, Form 3.0 * .30%)	173,680
Over/(Under) Recovery due to Timing Differences (D - C)	19,056
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of March 2005
Determination of Environmental Compliance Rate Base

	1994 Plan	Post-1994 Plan
Eligible Pollution Control Plant	\$0	\$230,946,821
Eligible Pollution CWIP Excluding AFUDC	\$0	\$10,011,101
Subtotal	\$0	\$240,957,922
Additions:		
Inventory - Spare Parts	\$0	\$0
Inventory - Limestone	\$0	\$0
Inventory - Emission Allowances per Form 2.30	\$0	\$3,128,930
less Allowance Inventory baseline	\$0	\$69,415
Net Emission Allowance Inventory	\$0	\$3,059,515
Cash Working Capital Allowance	\$0	\$58,532
Subtotal	\$0	\$3,118,047
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$0	\$5,710,993
Pollution Control Deferred Income Taxes	\$0	\$29,105,935
Pollution Control Deferred Investment Tax Credit	\$0	\$0
Subtotal	\$0	\$34,816,928
Environmental Compliance Rate Base	\$0	\$209,259,040

Determination of Pollution Control Operating Expenses

	1994 Plan	Post-1994 Plan
Monthly Operations & Maintenance Expense (Incremental for 1994)	\$0	\$31,694
Monthly Depreciation & Amortization Expense	\$0	\$500,330
Monthly Taxes Other Than Income Taxes	\$0	\$29,789
Monthly Insurance Expense	\$0	\$0
Monthly Emission Allowance Expense	\$0	\$203,518
Monthly Surcharge Consultant Fee	\$0	\$0
Total Pollution Control Operating Expense	\$0	\$765,330

Gross Proceeds From By-Product and Allowance Sales (1994 Plan Only)

Allocated Allowances from EPA	Allowances from Over-Control	Allowances from Purchases	Total Proceeds from Allowance Sales	Proceeds from By-Products Sales
\$0	\$0	\$0	\$0	\$0

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

MESF for January Expense Month	1.92%
Net Jurisdictional E(m) for January Expense Month	1,376,061
Environmental Surcharge Revenue, current month (from Form 3.00)	1,381,557
Environmental Surcharge Revenue recovered through base rates (Base Revenues, Form 3.0 * .30%)	197,611
Over/(Under) Recovery due to Timing Differences (D - C)	203,107
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of February 2005
Determination of Environmental Compliance Rate Base

	1994 Plan	Post-1994 Plan
Eligible Pollution Control Plant	\$0	\$230,946,821
Eligible Pollution CWIP Excluding AFUDC	\$0	\$11,575,817
Subtotal	\$0	\$242,522,638
Additions:		
Inventory - Spare Parts	\$0	\$0
Inventory - Limestone	\$0	\$0
Inventory - Emission Allowances per Form 2.30	\$0	\$3,337,309
less Allowance Inventory baseline	\$0	\$69,415
Net Emission Allowance Inventory	\$0	\$3,267,894
Cash Working Capital Allowance	\$0	\$61,967
Subtotal	\$0	\$3,329,861
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$0	\$5,210,662
Pollution Control Deferred Income Taxes	\$0	\$28,751,480
Pollution Control Deferred Investment Tax Credit	\$0	\$0
Subtotal	\$0	\$33,962,142
Environmental Compliance Rate Base	\$0	\$211,890,357

Determination of Pollution Control Operating Expenses

	1994 Plan	Post-1994 Plan
Monthly Operations & Maintenance Expense (Incremental for 1994)	\$0	\$8,191
Monthly Depreciation & Amortization Expense	\$0	\$500,330
Monthly Taxes Other Than Income Taxes	\$0	\$29,789
Monthly Insurance Expense	\$0	\$0
Monthly Emission Allowance Expense	\$0	\$ 145,212
Monthly Surcharge Consultant Fee	\$0	
Total Pollution Control Operating Expense	\$0	\$683,523

Gross Proceeds From By-Product and Allowance Sales (1994 Plan Only)

Allocated Allowances from EPA	Allowances from Over-Control	Allowances from Purchases	Total Proceeds from Allowance Sales	Proceeds from By-Products Sales
\$0	\$0	\$0	\$0	\$0

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

MESF for December Expense Month	6.09%
Net Jurisdictional E(m) for December Expense Month	3,890,089
Environmental Surcharge Revenue, current month (from Form 3.00)	4,312,170
Environmental Surcharge Revenue recovered through base rates (Base Revenues, Form 3.0 * .30%)	200,608
Over/(Under) Recovery due to Timing Differences (D - C)	622,689
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of January 2005
Determination of Environmental Compliance Rate Base

	1994 Plan	Post-1994 Plan
Eligible Pollution Control Plant	\$0	\$230,946,821
Eligible Pollution CWIP Excluding AFUDC	\$0	\$11,576,093
Subtotal	\$0	\$242,522,914
Additions:		
Inventory - Spare Parts	\$0	\$0
Inventory - Limestone	\$0	\$0
Inventory - Emission Allowances per Form 2.30	\$0	\$3,487,384
less Allowance Inventory baseline	\$0	\$69,415
Net Emission Allowance Inventory	\$0	\$3,417,969
Cash Working Capital Allowance	\$0	\$69,796
Subtotal	\$0	\$3,487,765
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$0	\$4,685,536
Pollution Control Deferred Income Taxes	\$0	\$28,303,363
Pollution Control Deferred Investment Tax Credit	\$0	\$0
Subtotal	\$0	\$32,988,899
Environmental Compliance Rate Base	\$0	\$213,021,779

Determination of Pollution Control Operating Expenses

	1994 Plan	Post-1994 Plan
Monthly Operations & Maintenance Expense (Incremental for 1994)	\$0	\$8,063
Monthly Depreciation & Amortization Expense	\$0	\$475,533
Monthly Taxes Other Than Income Taxes	\$0	\$29,789
Monthly Insurance Expense	\$0	\$0
Monthly Emission Allowance Expense	\$0	\$ 214,155
Monthly Surcharge Consultant Fee	\$0	
Total Pollution Control Operating Expense	\$0	\$727,540

Gross Proceeds From By-Product and Allowance Sales (1994 Plan Only)

Allocated Allowances from EPA	Allowances from Over-Control	Allowances from Purchases	Total Proceeds from Allowance Sales	Proceeds from By-Products Sales
\$0	\$0	\$0	\$0	\$0

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

MESF for November Expense Month	3.05%
Net Jurisdictional E(m) for November Expense Month	2,039,476
Environmental Surcharge Revenue, current month (from Form 3.00)	2,279,163
Environmental Surcharge Revenue recovered through base rates (Base Revenues, Form 3.0 * .30%)	212,486
Over/(Under) Recovery due to Timing Differences (D - C)	452,172
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of December 2004
Determination of Environmental Compliance Rate Base

	1994 Plan	Post-1994 Plan
Eligible Pollution Control Plant	\$0	\$230,946,821
Eligible Pollution CWIP Excluding AFUDC	\$0	\$11,567,361
Subtotal	\$0	\$242,514,182
Additions:		
Inventory - Spare Parts	\$0	\$0
Inventory - Limestone	\$0	\$0
Inventory - Emission Allowances per Form 2.30	\$0	\$3,710,299
less Allowance Inventory baseline	\$0	\$69,415
Net Emission Allowance Inventory	\$0	\$3,640,884
Cash Working Capital Allowance	\$0	\$68,788
Subtotal	\$0	\$3,709,672
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$0	\$4,210,003
Pollution Control Deferred Income Taxes	\$0	\$28,077,604
Pollution Control Deferred Investment Tax Credit	\$0	\$0
Subtotal	\$0	\$32,287,607
Environmental Compliance Rate Base	\$0	\$213,936,247

Determination of Pollution Control Operating Expenses

	1994 Plan	Post-1994 Plan
Monthly Operations & Maintenance Expense (Incremental for 1994)	\$0	\$550,307
Monthly Depreciation & Amortization Expense	\$0	\$431,967
Monthly Taxes Other Than Income Taxes	\$0	\$24,576
Monthly Insurance Expense	\$0	\$0
Monthly Emission Allowance Expense	\$0	\$ 393,761
Monthly Surcharge Consultant Fee	\$0	\$0
Total Pollution Control Operating Expense	\$0	\$1,400,610

Gross Proceeds From By-Product and Allowance Sales (1994 Plan Only)

Allocated Allowances from EPA	Allowances from Over-Control	Allowances from Purchases	Total Proceeds from Allowance Sales	Proceeds from By-Products Sales
\$0	\$0	\$0	\$0	\$0

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

MESF for October Expense Month	2.85%
Net Jurisdictional E(m) for October Expense Month	1,881,443
Environmental Surcharge Revenue, current month (from Form 3.00)	1,958,572
Environmental Surcharge Revenue recovered through base rates (Base Revenues, Form 3.0 * .30%)	191,462
Over/(Under) Recovery due to Timing Differences (D - C)	268,591
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of November 2004
Determination of Environmental Compliance Rate Base

	1994 Plan	Post-1994 Plan
Eligible Pollution Control Plant	\$0	\$9,775,541
Eligible Pollution CWIP Excluding AFUDC	\$0	\$218,692,480
Subtotal	\$0	\$228,468,021
Additions:		
Inventory - Spare Parts	\$0	\$0
Inventory - Limestone	\$0	\$0
Inventory - Emission Allowances per Form 2.30	\$0	\$4,112,821
less Allowance Inventory baseline	\$0	\$69,415
Net Emission Allowance Inventory	\$0	\$4,043,406
Cash Working Capital Allowance	\$0	\$0
Subtotal	\$0	\$4,043,406
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	\$0	\$551,078
Pollution Control Deferred Income Taxes	\$0	\$566,102
Pollution Control Deferred Investment Tax Credit	\$0	\$0
Subtotal	\$0	\$1,117,180
Environmental Compliance Rate Base	\$0	\$231,394,247

Determination of Pollution Control Operating Expenses

	1994 Plan	Post-1994 Plan
Monthly Operations & Maintenance Expense (Incremental for 1994)	\$0	\$0
Monthly Depreciation & Amortization Expense	\$0	\$16,203
Monthly Taxes Other Than Income Taxes	\$0	\$22,494
Monthly Insurance Expense	\$0	\$0
Monthly Emission Allowance Expense	\$0	\$ 219,630
Monthly Surcharge Consultant Fee	\$0	
Total Pollution Control Operating Expense	\$0	\$258,327

Gross Proceeds From By-Product and Allowance Sales (1994 Plan Only)

Allocated Allowances from EPA	Allowances from Over-Control	Allowances from Purchases	Total Proceeds from Allowance Sales	Proceeds from By-Products Sales
\$0	\$0	\$0	\$0	\$0

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

MESF for September Expense Month	2.88%
Net Jurisdictional E(m) for September Expense Month	1,879,800
Environmental Surcharge Revenue, current month (from Form 3.00)	1,676,595
Environmental Surcharge Revenue recovered through base rates (Base Revenues, Form 3.0 * .30%)	162,093
Over/(Under) Recovery due to Timing Differences (D - C)	(41,112)
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	